

Message Text

LIMITED OFFICIAL USE

PAGE 01 EC BRU 01082 062000Z

43

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 RSC-01 CIEP-01 SP-02

STR-01 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 AGR-05

SS-15 NSC-05 L-02 /075 W

----- 057450

P 061801Z FEB 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 8241

INFO ALL EC CAPITALS 317

AMCONSUL BREMEN

LIMITED OFFICIAL USE EC BRUSSELS 01082

PASS AGRICULTURE FOR KIGER

E.O. 11652: N/A

TAGS: EAGR, EEC, ETRD

SUBJECT: EC SUBSIDIZES EXPORTS OF 1974 CROP TOBACCO TO US
AND OTHER DESTINATIONS

REF: (A) EC A003; (B) EC BRUSSELS 8120, 10/18/74;
(C) EC BRUSSELS 3188, 5/17/74; (D) EC BRUSSELS 388, 1/24/73;
(E) EC A-74, 3/8/71

1. ON JANUARY 31, THE EC COMMISSION ESTABLISHED SUBSIDIES ON
EXPORTS OF BALED TOBACCO FROM THE 1974 CROP TO SPECIFIED THIRD
COUNTRIES OF DESTINATION. THESE EXPORT SUBSIDIES ARE SCHEDULED
TO BE GRANTED UNTIL JUNE 30, 1976 AND RANGE FROM 0.16 U.A.
PER KG. FOR XANTI-YAKA, PERUSTITZA, BENEVENTANO, AND BURLEY
TOBACCO TO 0.28U.A. PER KG. FOR BADISHCHER GEUDERTHEIMER
TOBACCO.

2. THE US IS AN APPROVED DESTINATION ONLY FOR SUBSIDIES
ON XANTI-YAKA AND PERUSTITZA TOBACCO. IN FACT, THE SUBSIDIES
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 01082 062000Z

ON THESE TWO TOBACCOS ARE APPLICABLE ONLY ON EXPORTS TO THE

UNITED STATES (AND CANADA).

THIS IS THE FIRST TIME THAT THE COMMISSION HAS SINGLED OUT THE US AND CANADA AS THE ONLY DESTINATIONS FOR WHICH TOBACCO EXPORT SUBSIDIES FOR PARTICULAR VARIETIES ARE APPLICABLE. THE US AND CANADA WERE NOT APPROVED DESTINATIONS FOR SUBSIDIES ON ANY TOBACCOS FROM THE 1972 AND 1973 CROP. THERE WERE NO SUBSIDIES TO ANY DESTINATION FOR 1972 AND 1973 XANTI-YAKA AND PERUSTITZA TOBACCO,(REFS. A). THIS SUBSIDY APPLIES TO ALL THIRD COUNTRIES OF DESTINATION INCLUDING THE US, BUT EXCLUDING SWITZERLAND, AUSTRIA AND LICHENSTEIN.

3. EC TOBACCO EXPORTS TO THIRD COUNTRIES ALSO BENEFIT FROM A "BUYER'S PREMIUM" (REF. E).THESE PREMIUMS ARE SUBSIDIES PAID TO BUYERS OF COMMUNITY-PRODUCED LEAF TO INDUCE THEM TO PURCHASE LEAF FROM PRODUCERS AT A PRICE ABOVE THE INTERVENTION LEVEL.

4. WE HAVE INFORMED HIJZEN THAT INITIATION OF NEW TOBACCO EXPORT SUBSIDIES TO THE US WOULD NOT BE WELL RECIEVED. HIJZEN WAS UNABLE TO TELL US WHY THE SUBSIDY HAS BEEN DECIDED BUT HE SAID HE WOULD FIND OUT AND LET US KNOW.

5. WE ALS TOLD DRIESPRONG (DIRECTOR FOR SPECIALIZED CROPS IN DG-VI) AND ROSSETTO (AN OFFICIAL RESPONSIBLE FOR TOBACCO IN DG-VI) OF OUR CONCERN OVER THE SUBSIDIES. DRIESPRONG SAID THAT THE SUBSIDIES HAD NOT JUST BEEN ROUTINELY APPROVED BUT HAD BEEN THOROUGHLY DISCUSSED WITH OFFICIALS IN THE EXTERNAL FOREIGN RELATIONS DIRECTORATE GENERAL. BOTH DRIESPRONG AND ROSSETTO GAVE US THE STANDARD EC LITANY THAT THE SUBSIDIES ARE NECESSARY TO MAINTAIN MARKETS FOR EC PRODUCTS. ROSSETTO SAID THAT THE US IS A RECENT, AND RAPIDLY GROWING MARKET FOR EC ORIENTAL-TYPE TOBACCOS. WITH THE DEVALUATION OF THE "GREEN LIRA" LAST YEAR, AND THE WEAKNESS OF THE DOLLAR, ITALIAN TOBACCO HAS BECOME MORE EXPENSIVE IN TERMS OF US DOLLARS. CONSEQUENTLY, ACCORDING TO ROSSETTO, A SUBSIDY HAD TO BE GRANTED TO MAINTAIN THE COMPETITIVENESS OF EC TOBACCO IN THE US MARKET, PARTICULARLY IN RELATION TO IMPORTS FROM GREECE AND TURKEY. ROSSETTO SAID THAT THE PRICE OF ITALIAN TOBACCO ON THE WORLD MARKET HAS INCREASED BY ABOUT 50 CENTS PER KG. IN THE PAST YEAR. THE SUBSIDY, HE SAID, COVERS LESS THAN HALF THIS INCREASE. WHEN WE DISCUSSED THIS WITH MALVE (IN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 01082 062000Z

CHARGE OF INTERNATIONAL AFFAIRS RELATING TO AGRICULTURE) HE CONFIRMED ROSSETTO'S EXPLANATION RELATIVE TO THE WEAKNESS OF THE DOLLAR.

6. AS A LAST POINT, ROSSETTO SAID THAT THE US DOES NOT PRODUCE ORIENTAL-TYPE TOBACCO AND THEREFOREMUST IMPORT THEM. MAINLY FOR THIS REASON, HE SAID HE WOULD BE SURPRISED IF THE SUBSIDIES BECAME AN ISSUE OF CONTENTION. GREENWALD

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, TOBACCO, DATA, SUBSIDIES
Control Number: n/a
Copy: SINGLE
Draft Date: 06 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ECBRU01082
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750044-0397
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750267/aaaacikd.tel
Line Count: 115
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 EC A003, 75 EC BRUSSELS 8120, 75 10/18/74
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2003 by MartinML>; APPROVED <19 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC SUBSIDIZES EXPORTS OF 1974 CROP TOBACCO TO US AND OTHER DESTINATIONS
TAGS: EAGR, ETRD, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006